

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6911

BILL NUMBER: SB 240

NOTE PREPARED: Jan 15, 2010

BILL AMENDED: Jan 14, 2010

SUBJECT: Township Government.

FIRST AUTHOR: Sen. Lawson C

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill has the following provisions:

County Fiscal Body: The bill specifies that in each county after December 31, 2012: (1) the county fiscal body is the fiscal body and legislative body of each township in the county; and (2) the county fiscal body shall exercise the legislative and fiscal powers assigned in the Indiana Code to township boards, including the authority to adopt the township's annual budget and to levy township property taxes for township funds.

Excess Balance: It provides that when formulating an annual budget, a township or (after December 31, 2012) the county fiscal body, must consider the ending balance that will remain in each township fund relative to: (1) the budgeted expenditures from the fund; (2) the fund balance that must be maintained by the township due to delayed property tax collections; and (3) the amount of tax anticipation notes or warrants or other obligations incurred by the township due to delayed property tax collections.

It also provides that if the township board (before January 1, 2013) or the county fiscal body (after December 31, 2012) determines that the ending balance in a township fund is excessive (after considering certain specified factors), the township board or county fiscal body shall transfer the excessive amount to the township's levy excess fund.

Township Budgets: The bill specifies that for township budgets adopted for 2011, 2012, and 2013, the total amount appropriated by a township board for a particular year may not exceed the result of: (1) the total amount appropriated by the township board for the previous year; multiplied by (2) the assessed value growth quotient applicable to the township for the particular year. It provides that if a township board determines after a public hearing that the township cannot carry out its governmental functions for a year under these

appropriation limitations, the township board, after approval by the township executive, may appeal to the Department of Local Government Finance (DLGF) for relief from the appropriation limitations for the year.

Township Plan: After December 31, 2012, the bill requires the county fiscal body to consider with regard to a cumulative building fund or capital improvement fund, the township's capital improvement plan.

It requires the DLGF to consider those issues when reviewing a township's budget, tax rate, and tax levy.

The bill provides that after December 31, 2012, a township may only collect property taxes for a capital improvement fund in a particular year, if the township trustee prepares and the county fiscal body approves a proposed or amended capital improvement plan in the immediately preceding year.

Reorganization: It provides that if a township reorganizes with at least one other township, and the resulting new political subdivision is not a city or town, after December 31, 2012, the county fiscal body is the fiscal body of the new political subdivision.

Nepotism: It prohibits a relative of a township officer or employee from being employed by the township, and it provides that a township employee who marries another township employee or officer may not continue to be employed by the township. The bill specifies that until January 1, 2012, a township employee is not required by these provisions to be terminated or reassigned from any position held by that individual before July 1, 2010.

The bill also prohibits a township from entering into a contract or renewing a contract with: (1) an individual to provide goods or services to the township if the individual is a relative of the township trustee; or (2) a business entity to provide goods or services, if a relative of the township trustee has an ownership interest in the business entity.

State Board of Accounts: It requires the State Board of Accounts to annually prepare a report that includes certain information regarding each township. It requires the report to be submitted to the Executive Director of the Legislative Services Agency and to county councils.

Township Offices: It specifies that each township office must include the address, phone number, and regular office hours (if any) of the township office in at least one local telephone directory.

Public Meetings: The bill requires a public meeting or a public hearing of a township official or governing body to be held in a public place.

Reimbursement for the Use of Property: It requires a township trustee's annual report to list separately each expenditure that is made to reimburse the township trustee for the township trustee's use of tangible property (real and personal property) for public business, including any reimbursements made for the use of a private residence, personal telephone, or personal vehicle for public business.

Effective Date: July 1, 2010.

Explanation of State Expenditures: (Revised) *Department of Local Government Finance (DLGF):* The bill is expected to have minimal fiscal impact for the DLGF when reviewing township budgets, tax rates, and tax levies in order to consider the ending balance, and to receive appeals from townships.

State Board of Accounts: The bill may increase costs minimally for the State Board of Accounts (SBOA) to prepare township annual reports with additional information. Under current law, the township provides information on fund balances to the SBOA. This information is compiled into a report at the SBOA main office using support staff. Under the bill, a township is to prepare any information required by the report and not currently reported on the schedule established by the SBOA.

Background - State Board of Accounts: Currently, the SBOA prepares an annual report concerning the townships using information provided to the SBOA by the township trustee. The SBOA also prepares a biennial examination report of the townships.

Under the bill, the annual report would be prepared for the preceding calendar year and include the following:

- The population of the township.
- The budget, property tax levels, and property tax rates.
- The assessed valuation.
- The balance in each township fund.
- A summary of township assistance information.
- A summary of any statutory compliance issues or exceptions.
- A description of any interlocal agreements.
- A description of any resolutions or petitions concerning the township.
- A description of the property owned or leased by the township.

The bill's requirements are within the SBOA's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) The bill will increase costs for counties by making the county fiscal body the township fiscal and legislative body. County councils may require additional meeting time to establish budgets, consider resolutions, and adopt plans for capital improvements. However, cost savings may result from the elimination of the three-member township boards (in counties outside of Marion County) or seven-member township boards (in Marion County). [Note: Township trustees would remain in place.]

Minimal increased costs for township reporting may also occur for the township trustee to collect and report to the SBOA additional information such as the township population, as well as a separate listing of reimbursement to the township executive for use of tangible property such as a private residence, telephone, or vehicle. The bill requires a public meeting or hearing of a township official or governing body to be held in a public place, which would disallow use of a private residence for township meetings. This, in certain circumstances, may increase costs. Additionally, the bill could increase costs to townships that have to make changes in personnel due to familial relationships or marriages, or for contractual goods and services because a contract is with an individual who is a relative of the township trustee, or is with a business owned by a relative of the township trustee.

Under current law, the levy for a controlled fund may grow at the rate of the income-based assessed value growth quotient (AVGQ). Budget appropriations, however, are only limited to the total funding that is

available. Under the bill, a township's total budget appropriation (including additional appropriations) for 2011, 2012, and 2013, would be limited to the previous year's appropriation plus growth at the AVGQ. Current estimates for the AVGQ are 2.9% in 2011, 2.4% in 2012, and 2.1% in 2013. A township that cannot function under the appropriation limitations imposed by the bill, may incur additional costs to appeal to the DLGF for relief.

Total appropriations in all funds were \$404 M for townships in 91 counties with available data (987 townships of 1,008 total). The average annual increase in budget appropriations from 2004 to 2009 was 2.96%. There were 581 townships with growth above 2.9%, a total of 632 with growth above 2.4%, and a total of 661 with an average growth above 2.1%. This provision could reduce the appropriations in some townships as compared to the appropriations under current law.

(Revised) *Background:* There are a total of 1,008 townships in Indiana, with 9 townships in Marion County having seven-member township boards and 999 outside of Marion County having three-member township boards. The number of townships per county varies between 4 and 21, with the largest number of counties having 12 townships.

There are an estimated 3,060 township board members statewide. Currently, the township board is the legislative body of the township, and the township trustee is the township executive. The legislative body of a township fixes the salaries for the members of the township board. There is no single, statewide repository of township board member salaries. A review of four townships in counties outside of Marion County and eight of the nine townships in Marion County for which information is available showed that salaries ranged between \$500 and \$21,369 for board members. Using the low range and median (rather than the maximum), the following shows the range of potential statewide savings from elimination of township board members, assuming that the functions of these township elected officials would not be compensated when the duties transfer to county government. [Note: The average of the Marion County townships was used to estimate the median.]

Salary per Board Member	Statewide Savings
Low Range -\$500	\$1,530,000
Median - \$900	\$2,754,000

While savings will accrue to township residents, the county fiscal body, which fixes the compensation of officers, may increase compensation for county legislative and fiscal bodies that undertake additional responsibilities from the township boards.

Explanation of Local Revenues: (Revised) *Excess Balance:* Under this proposal, the township board or the county fiscal body must determine whether a fund balance is excessive based on the budgeted expenditures from the fund; balances needed on account of actual or anticipated delayed property tax billing, collection, or distribution; and the amount needed for tax anticipation notes, warrants, or other obligations incurred on account of delayed property tax billing, collection, or distribution. After December 31, 2012, excess fund balances contained in cumulative and capital projects funds would be based on the capital improvement plan. Any excessive amount is transferred to the township's levy excess fund. [With certain exceptions, the money in a levy excess fund may be used for any lawful purpose for which money from other township funds may

be used, provided it is included in the township's budget.]

(Revised) *Township Budget*: The bill requires that the appropriation for a township budget may not exceed the previous year's appropriation multiplied by the assessed value growth quotient for 2011, 2012, and 2013. The township board may appeal for relief from the limitation to the DLGF after a public hearing is held.

Capital Improvement Plan: Beginning in CY 2013 under this provision, townships would be required to prepare a capital improvement plan that would estimate expenditures from, and revenues to, the various township cumulative funds for at least three years after the plan is adopted. Townships would not be able to collect property taxes for a cumulative fund without an approved plan.

State Agencies Affected: DLGF; SBOA.

Local Agencies Affected: Counties and townships.

Information Sources: Local Government Database, DLGF.

Fiscal Analyst: Karen Firestone, 317-234-2106; Bob Sigalow, 317-232-9859.